

FINANCE COMMITTEE TESTIMONY

SB 28: AAC REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET

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Thank you for the opportunity to submit testimony on this important issue.

Connecticut is one of only five states in the nation that fully taxes the pensions of its teachers. As a result, one need not wonder why one fourth of our retired teachers move out of state, proven by the fact that 26% of pension checks are mailed out of state. They are motivated at least in part, to escape the high income tax burden in Connecticut. In proposing an income tax exemption that phases in a 50% exemption over the next two years on retired teachers' pension income, Governor Malloy is not only addressing "a very basic tax unfairness", this initiative would also be bringing Connecticut in line with 45 other states.

Very pertinent information is often overlooked in the debate on the merits of this proposal.

First, it is misleading to compare the average teacher pensions (\$47,000.00) with state employee average pensions (\$30,000.00) as some have done. State employees range from highly skilled professionals to unskilled laborers while all teachers are professionals who must first pass state exams in respective subject areas, have an initial bachelor's degree and mandatory post graduate degree to maintain certification.

Lawmakers should also keep in mind that retired teachers are not unionized and must rely on legislative action for their retirement benefits. It is a stressful existence to have to worry about your retirement benefits in your old age after having followed the rules and having paid for these benefits during your teaching career. This is not an exaggerated claim. Since 2010 the state legislature has underfunded the Health Insurance Premium Account by \$170 million due to Connecticut's fiscal issues which, according to the fiscal projections of the Teacher's Retirement Board, will result in withdrawals exceeding contributions as soon as 2018. Lawmakers tell us this will never happen, but every year due to the state's budget shortfall, the state's contribution to our health funds is among the first to be cut.

Another most significant fact in the discussion surrounding lowering taxes on our pensions and one the public should be aware of, is that Connecticut teachers cannot receive Social Security, not even from their spouse who paid into it. The only social security benefits retired teachers can claim is if they worked a second job part-time outside of public education, or worked prior to entering the teaching profession. Even, then, if they do qualify for Social Security benefits in this manner, those benefits are significantly reduced (50% or more) by federal law. In the case of many of our ARTC members, the pension is all they have to live on.

The average teacher pensions are \$47,000 (with some as low as...\$18,000) and state employee average pensions \$30,000.00, but trying to compare the two is like comparing apples and oranges. Keep in mind that state employees range from highly skilled professionals to unskilled laborers, while all teachers are professionals who must first pass state exams in respective subject areas, have an initial bachelor's degree and mandatory post graduate degree to maintain certification.

Of benefit to the general public, this proposal also has the potential of injecting additional consumer spending into Connecticut's economy. The most recent research (2009) by the National Institute on Retirement Security finds that each dollar paid out in pension benefits supports \$1.34 in total economic activity in the state. Furthermore, every dollar "invested" by Connecticut taxpayers in pension plans supports \$4.05 in total economic activity in the state.

One wonders, what message are we sending as a state to today's teachers, who currently pay 6% of their salary into their pension fund and an additional 1.25% into a Health Insurance Premium Account (HIPA) to ensure peace of mind in retirement? They won't be able to collect social security and that even a modest reduction in taxes to our pension become political fodder because it's an election year.

Clearly, Connecticut's active and retired teachers have contributed very heavily to their retirement programs and they have shared the burden and pain of our state's economic recession in recent years. You may question the Governor's motivation, but the proposal on its own merits is eminently fair and the right thing to do.

Tom Singleton is President of Association of Retired Teachers of Connecticut which has 16,000 members and affiliate members and advocates exclusively for the health and pension benefits of retired teachers in Connecticut.